

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1066-03
Bill No.: Perfected HCS for HB 473
Subject: Utilities; Business and Commerce
Type: Original
Date: March 6, 2013

Bill Summary: This proposal modifies provisions relating to gas corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Public Service Commission	(\$222,130)	(\$222,113)	(\$224,349)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$222,130)	(\$222,113)	(\$224,349)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Public Service Commission	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 FTE

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

According to officials from the **Department of Economic Development - Office of Public Counsel (OPC)**, this bill will create significant additional responsibilities for OPC staff requiring the addition of three FTE's with specific professional expertise to address the complex legal, engineering and financial issues that will be raised by this legislation.

This bill significantly expands existing statutory authority and would expand existing legislation so that more gas utilities could take advantage of the opportunity to adjust rates. Currently only those that have filed for a general rate proceeding within the past three years have that option.

The legislation also expands the number of projects that will be allowed, increasing the amount of review to determine prudence on investment. Prudence audits require significantly more analysis than investment verification analysis and require both financial and engineering analysis.

Officials from the **Department of Economic Development - Public Service Commission** assume this proposal will have no fiscal impact on their agency.

Oversight assumes this proposal could result in an unknown rate increase or an infrastructure system replacement surcharge (ISRS) for utilities serving state government, local political subdivisions, and small businesses. However, petitions would still have to be approved by the Public Service Commission. Oversight will range fiscal impact from \$0 (assuming no rate cases are heard and/or approved or no ISRS surcharges are approved) to (Unknown) to reflect approved rate cases or ISRS surcharges.

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
GENERAL REVENUE			
Costs - State Agencies - Potential for increased gas rates or an infrastructure system replacement surcharge (ISRS)	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
PUBLIC SERVICE COMMISSION FUND			
<u>Cost - Office of Public Counsel (OPC)</u>			
Personal Service	(\$145,188)	(\$146,640)	(\$148,106)
Benefits	(\$73,676)	(\$74,412)	(\$75,156)
Equipment and Expense	<u>(\$3,266)</u>	<u>(\$1,061)</u>	<u>(\$1,087)</u>
Total Costs - OPC	<u>(\$222,130)</u>	<u>(\$222,113)</u>	<u>(\$224,349)</u>
FTE Change - OPC	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION	<u>(\$222,130)</u>	<u>(\$222,113)</u>	<u>(\$224,349)</u>
Estimated Net FTE for Public Service Commission	3 FTE	3 FTE	3 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2014	FY 2015	FY 2016
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs - Local Political Subdivisions - Potential for increased gas costs or an ISRS</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

FISCAL IMPACT - Small Business

This legislation could result in an increase in utility costs to small businesses and for all other customers, since the proposal provides the gas utilities mechanisms to raise rates for specific new investment costs.

FISCAL DESCRIPTION

This bill changes the laws regarding a request to the Missouri Public Service Commission for a rate increase by a gas corporation.

In its main provisions, the bill:

- (1) Prohibits the Public Service Commission (PSC) from approving an infrastructure system replacement surcharge (ISRS) request from a gas corporation if it would produce total annualized ISRS revenues exceeding 15% of the corporation's base revenue level approved in its most recent general rate case proceeding. Currently, the commission cannot approve an ISRS if it would produce total annualized ISRS revenues exceeding 10% of the corporation's base revenue level approved in its most recent general rate proceeding; and
- (3) The PSC shall not approve an ISRS request for any gas corporation that has not had a general rate proceeding decided or dismissed by a commission order within the past five years. A gas corporation is prohibited from collecting an ISRS for a period exceeding five years with specified exceptions.

The bill contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Public Service Commission
Office of Public Counsel



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Ross Strobe
Acting Director
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